

The **Social** Security **Adminis**tration

MANAGEMENT REFORMS
AS A PART OF
ORGANIZATIONAL
INDEPENDENCE

A report to
The Congressional
Panel On Social
Security Organization

National Academy of
Public Administration

May 1984

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by the

National Academy of Public Administration

J. Jackson Walter
President

Washington, D.C.
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PREFACE

The Social Security Amendments Act of 1983 created a Joint Study Panel to “conduct a thorough study with respect to the implementation **of** removing the Social Security Administration from the Department of Health and Human Services and establishing it as an independent agency in the Executive Branch, with its own independent administrative structure, including the possibility of such a structure headed by a board appointed by the President, by and with the advice and consent of the Senate.”

The Congressional Panel on Social Security Organization which has been established to carry out this study has contracted with the National Academy of Public Administration (**NAPA**) to assess changes in management authorities and capabilities which could improve **SSA's** capacity to manage effectively, using as a basis the recently issued report of a **NAPA** Panel entitled “Revitalizing Federal Management: Managers and Their Overburdened Systems.” A number of members of the National Academy and other persons knowledgeable about **SSA** and public administration reforms were consulted in the preparation of the report (see Attachment A). This report provides recommendations to the Congressional Panel as to management reforms which should be considered when Congress moves toward its ultimate decision on organizational independence.

J. Jackson Walter

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INTRODUCTION

The debates **of** the past two years and more culminated in the report of the National Commission on Social Security Reform and the passage of the Social **Security** Act Amendments of 1983, which made substantial revisions in the legislative definition **of** the social security system-a major effort to meet the widely expressed **concerns of** the American public about the soundness **of** the system and the adequacy **of** its funding.

Part of this public concern also dealt with the reliability and effectiveness of the management of these programs and the quality of leadership of the Social Security Administration which administers them. The National Commission stated in its report that "the majority of the National Commission **believes...as** a broad general principle...that it would be logical to have the Social Security Administration be a separate, independent agency, perhaps headed by a bipartisan board."

The Social Security Act Amendments of 1983 called for the creation of a Joint Study Panel to "conduct a thorough study with respect to the implementation of *restructuring* the Social Security Administration from the Department of Health and Human Services and establishing it as an independent agency in the Executive Branch, with its own independent administrative structure, including the possibility of such a structure headed by a board appointed by the President, by and with the advice and consent of the Senate."

Neither the National Commission nor the Congress spelled out the organizational or management advantages or disadvantages of SSA as an independent agency reporting to the President, and this now becomes one **of** the principal tasks of the Congressional Panel on Social Security Organization. The

Panel, in its deliberations, will compare the independent agency with options for granting SSA **greater** autonomy and independence within the HHS structure; in addition, the **form** of a government corporation will be evaluated to determine whether it offers any compelling advantages which are not attainable in the more traditional **federal** agency organization.

This report, prepared for the Congressional Panel, is about management issues rather than program or policy matters. Nor does it attempt to spell out the details of legislative **language** dealing with **managerial** authority. Instead, it deals with the management problems **faced by** large operating institutions such as SSA, the management constraints within which SSA must function, and the opportunities which exist to improve **SSA's** management performance, either as an independent agency **or** in its current departmental location. Making SSA independent does not, in itself, assure its greater effectiveness or responsiveness to public need. But the Congressional consideration of how to implement organizational independence creates a unique opportunity to rethink what it is that does make an organization like SSA manage well or poorly. This report is essentially an exploration **of** these opportunities.

The report should be read with the idea in mind that effective management in any institution, including a public agency, depends more on leadership, positive motivations for excellence and service, and the willingness to work hard and effectively, than it does on compliance with an array of management regulations and constraints. In addition, the quality of management in SSA will in the near future depend heavily on the flexibility given to its commissioners and top staff to cope with change rather than stable **routines**—change created by the new law governing the program; change induced by the impact of new technology; and change growing from a heightened public concern that public organizations must meet more stringent tests of cost restraint and management effectiveness.

I. SSA **LEADERSHIP** AND AUTHORITY

The question of SSA leadership is a critical one, and an array of options, including **several** forms of board concepts and mechanisms was examined. While the main concern has been the management implications of alternative forms of leadership, it simply is not possible to consider the management role without understanding the political and policy consequences of these alternatives as well.

The most feasible alternatives for leadership are these:

1. A single authoritative commissioner.
2. A full-time Board of Directors responsible for direction of the agency and which may or may not have an operating head.
3. A single commissioner, plus a part-time policy board.
4. A single commissioner, plus a part-time advisory board.

The basic question is: "From a management view, which of these alternatives would achieve the greatest management effectiveness?" The following conclusions were drawn:

1. In management terms, the most important point is that it is almost universally agreed that single administrators are far more effective and accountable than multi-person boards or commissions, bipartisan or otherwise.
2. Again in management terms, a board is not a necessity and is not desirable. Even if a board's role is carefully defined and its membership carefully selected, history strongly suggests that it is almost impossible to keep such a board from interjecting itself into the management of the organization which it stewards. While such interjections are occasionally useful, the likelihood is that they would end up confusing and debilitating

the authority of the agency head, creating conflict for the staff, . and becoming another layer of management which adds little and detracts much. Furthermore, the composition of such boards becomes an issue in itself, and all too often breeds preoccupation with diversionary issues of balance, representativeness, or political fairness, rather than the ability of such boards to contribute to the success of the program.

3. Where boards attempt to manage programs directly without an authoritative manager (administrator, executive director) they have proved most often to be ineffective.

Thus, to the extent that management needs dictate the form of leadership, it is strongly advocated that a single commissioner be appointed and that the use of a board be avoided as neither necessary or desirable.

It is further recommended that the commissioner of SSA continue to be appointed by the President with Senate advice and consent. The commissioner should serve at the pleasure of the President, because it is felt that political and policy reality is such that a fixed term appointment would not assure any real "protection" against the strains and conflicts of the political arena, and would not really guarantee the continuity of leadership which is so widely hoped for. A term appointed commissioner in a hostile administration, or one lacking the confidence of the Congress, simply could not be effective.

The best prospect for achieving continuity and leadership stability lies in the appointment of top quality career people in the balance of leadership positions in SSA. The added flexibility-now provided in the Senior Executive Service, including the combination of SES Career Reserved and SES General positions, and the authority of the agency head to direct the reassignment of senior executives "for

the good of the agency”, is more than adequate to assure a responsive career staff, and substantially mitigates the need for political appointments in other than the commissioner’s post.

The magnitude and importance of the managerial dimensions of the commissioner position are so great that the President should **select** a person of recognized management capability and experience in that position, and it would be desirable for the Congress to so stipulate in its legislation.

Returning to the idea **of** an SSA board, it is reiterated that such a board cannot be justified for management reasons. If, however, the Congress judges such a board to be necessary for other reasons, the following additional points are made:

1. The feasibility of any form of effective board is markedly less if SSA remains inside HHS. It is extraordinarily difficult to define the role of any board which would not seriously confuse the policy authority of the HHS Secretary, and there is the added risk that it would freeze out participation of the SSA Commissioner and the important policy formulation resources of the agency.
2. There is a concern that, if SSA is an independent agency, its Commissioner would lack the clout and resources of a cabinet department in dealing with other major elements of the Executive Branch in coordinating the “policy and politics” of the program with other principal interests-the Secretaries of HHS, Labor and Treasury, the Council of Economic Advisers, and the **Executive Office** of the President. If a board can help as a means of assisting and facilitating these important policy

coordination relationships, then it might have value. To meet this **purpose**, an advisory board appears to be a feasible model. Such a board would be composed of cabinet members, **plus** some public **members** who could serve to facilitate relationships within the Executive Branch. **Or**, it might be composed mainly of able, well respected public members who would create public confidence that balanced judgments will be made about the program, and the best interests **of** the public will be served. The SSA Commissioner would be a full member of this board and benefit from it as a somewhat more formal means for achieving governmentwide policy coordination. This form of board could also work with SSA as a part of HHS, but the need for *it* appears markedly less since the HHS Secretary and the top politic **al** officers would presumably serve the policy coordination role.

II. BUDGET AND FINANCIAL MANAGEMENT

A. Budget Formulation

SSA **already** enjoys an **especially** advantageous position in the formulation and review **of** its budget. Major benefit program and administrative fund **requirements are** provided by categorical social security **taxes** paid directly by **both** employees and employers, and are placed in a special Trust Fund in the Treasury Department to provide **a safety** reserve and to assure that the funds cannot be spent for other purposes. This assured reserve is matched in Congress by almost automatic permanent authorizations (subject only to normal Congressional authority to consider changes in authorization). The agency's administration and management expenses are also paid from the Trust Fund. While budget estimates are reviewed by OMB and by the appropriations committees and initially financed from general revenues, SSA costs are ultimately paid out **of** the Trust Fund. Thus, the Congress, in an extraordinary way, has committed itself to funding social insurance programs at whatever level of demand results from statutorily defined program criteria.

There are several improvements in **SSA's** budget formulation process that CM be made which **build** on this stable revenue/authorization base.

1. A biennial-budget

One of the serious management problems which characterize the budget process across the whole Federal Government is its heavy procedural overburden. In recent hearings in the **House** Rules Committee's special Task Force **on** the Reform of the Budget Process (chaired by Congressman **Bielenson**), many important witnesses stated that the idea of moving the Federal government toward a biennial budget had substantial merit and warrants serious further consideration. A number of those witnesses, as well as other sources including

NAPA's report "**Revitalizing** Federal Management," have recommended that one or more demonstrations should be undertaken with agencies or **larger** programs to test the feasibility of the biennial budget. SSA could become the basis for such a demonstration program because of the extreme reliability of its **funding** and authorization, and the relative stability **of** its program execution.

The managerial advantages which would result center around the potential to cut back dramatically on the costly staff time and effort in dealing with budget procedures and paperwork. This would be especially true in an independent SSA outside **of** HHS where the whole layer of departmental budget justification would be eliminated. Little would be lost by either OMB or Congress since program expenditures in the short run are closely predictable (through **SSA's** actuarial analyses) and administrative costs do not change rapidly from year to year.

2. Workforce planning

This area of management is now wrongly focused on use of detailed line-by-line personnel estimates shown in budget schedules, rather than on broad, **forward-**looking general planning for staffing needs. As a consequence, overly detailed reviews are conducted In HHS, in OMB, and in Congress. Yet one of **SSA's** most important management *resources* is its workforce, and the ability of the SSA Commissioner to plan and deploy that workforce is one of the most important tools for achieving management effectiveness.

Operating managers throughout government have long advocated major improvements in the latitude and authority given to managers to control this total workforce. An independent SSA could be given the following additional authority:

- a. A shift away ~~from~~ submission to **OMB** and Congress of detailed position-by-position schedules of all positions required for future years. Instead, SSA would submit a Workforce Plan

which defines and justifies the total workforce requirement, **and** **spells** out areas of increase or decrease planned as a result of any changes in programs or administrative operations. SSA is particularly able to do this since it has a fully developed system of work-related **personnel** standards **and** work measures which tie staffing needs to workload.

- b. Congress would be able to evaluate these plans as a total workforce estimate **of** need, related accurately to the real program needs which justify the workforce. Congress would accept or modify the plan and would need to refrain from acting on individual positions or organizational units.
- c. OMB or congressional limitations would be shifted to limiting total dollars to be authorized, and would not be expressed in terms of either total numbers of employees, or total full time equivalents or work-years of staffing effort.
- d. Within the overall total dollar limitations established by Congress or OMB, the SSA Commissioner should have flexibility to **control** the number of employees, the mix between permanent and temporary employees, the pace at which employees are added (or removed) from the staff, their organizational placement, and the grades and salaries (**as** defined by law and regulation) to be paid.

This revitalization of SSA control over its total workforce resource can add immeasurably to **optimum** use of the 82,000 employees which are **SSA's** greatest resource, for these reasons:

- 0 The substantial cost and workload burden **of** detailed workforce budgeting would be greatly reduced.
- 0 The quality and realism of workforce planning and management would be greater.
- 0 The authority and leadership of the SSA Commissioner in this critical area would be visibly enhanced.
- 0 Real cost savings can be realized because workforce can be more precisely matched to program needs and overstaffing eliminated.
- 0 Changes in staffing can be made more quickly and readily to meet changing program needs.

One important specific workforce planning element for the future which SSA should submit for congressional approval are needs for special authority or waivers of position limits so that SSA has positions available in which to carry employees who are in retraining programs resulting from the introduction of new **computer-**based systems and **procedures** which will occur in the next few years through implementation of the System Modernization Plan discussed in Section **IV** of this report.

Further improvements in personnel management systems and practices are discussed in Section **III** of this report.

3. Budget Oversight

Budget oversight would change only moderately for SSA in the various options for organizational independence. If independent but still in HHS, it would normally be expected that appropriate departmental scrutiny of the budget would continue unless the Congress deliberately denies in legislation the application of that oversight. This would not be likely if the decision is made to keep SSA in the

department in the first place. The addition of a social security board would mean that the role **of** that board would need to be spelled out in relation to both the SSA **Commissioner** and the Office of the Secretary. In general, a board might be expected to contribute best by confining its role to one of facilitating and participating in “front-end” discussions, but would leave the presentation and justification of the budget to the Commissioner.

In the case of an independent SSA reporting to the President, the present advantages or disadvantages of clearing the budget to the HHS office of the Secretary are foregone. SSA leadership would then deal directly with OMB and the Executive Office of the President. It is likely that the substance of the budget would be little different, because the importance and economic significance of the program means it is a priority for OMB and the President in any event.

In the case of SSA being set up as an independent government corporation, the Congress would need to **make** explicit decisions as to the budget oversight and **accountability** it will demand. Organizational independence, even in the corporate form, does not change the need for political oversight and **accountability**, and SSA as a corporation should still be subjected to the oversight of both the Congress and the Executive Office of the President. Some exceptions to this generalization will be discussed in other sections of this report dealing with specific management systems.

It is recognized that this process-oriented discussion of budget formulation is an element of broader kinds of concern about how social security programs fit into the overall budget strategy which deals with such questions as whether these programs should be off-budget, or whether they should be placed in competition with other federal programs in the congressional limits established through the

first and second Concurrent Budget Resolutions. Organizational independence is not sufficient in itself to justify any substantial relinquishment of critical policy and budget oversight. **Nor** should it be assumed that direct oversight by the **Executive** Office of the President will make budget oversight any easier or more sympathetic.

OMB budget reviews and its general approach to Executive Branch oversight are often the source of conflict with individual agencies, not only over budget levels but also over management systems and controls which can inhibit agencies' latitude and freedom of action. The **NAPA** report points out that, in serving short-term budget imperatives, **OMB** oversight can become shortsighted and can inhibit agency efforts to do intelligent longer term management planning, or to sustain its own management reform initiatives. Independence from **SSA** must clearly be based on the understanding that, while it will respond constructively to the President's oversight, it must be free to manage its own affairs, and strong enough in its management talent to make its own choices and carry out its own plans.

B. Budget Execution

After congressional passage and presidential approval, and the subsequent issuance of Treasury apportionment warrants and **OMB** apportionment, agencies like **SSA** are finally officially authorized to begin to translate the approved budget into internal implementation of programs. At this point, the budgets meld into agency program controls, financial management systems, and internal financial controls.

Budget execution is less policy and political and more managerial than budget formulation, and yet the best ways to improve **SSA's** budget execution rest primarily in the hands of the Congress.

There are two budget areas in which Congress could help SSA if it wishes to do 60:

1. **Reduction** in Congressional "line-iteming" or micro-budgeting.

over the course of years it has been evident that there **is a** tendency to accrete or accumulate surprisingly large numbers of specific detailed instructions or directions or requirements which the Congress imposes through authorizing legislation, appropriations language, oversight requirements or other means. **Many** of these specifics are obviously needed to define program requirements, but many others are constraints or limitations on administrative or management authorities or procedures. Others are requirements for reports or data.

The evaluation **of** an independent SSA is an ideal time for the Congress to reassess these detailed requirements and constraints, and eliminate those which are no longer necessary, or to simplify as much as possible those which must be kept. The advantages are twofold:

- o experience indicates that these requirements create a surprising burden of administrative process and paperwork. Each detailed requirement perpetuates itself and gets built into the system. This in turn leads to further tracking of these small details, and the related requirements for reports, statistics, expenditure status, and staff follow-up. Any elimination which is possible can pay off handsomely in reducing costly red tape.
- o Rigidities and blocks in the form of detailed procedures or limitations built into the budget process also reduce the flexibility of operating officials to exercise their own judgment and freedom of action for which they are presumably paid. Where managers believe they see ways to be more efficient or

cost-effective, **but are constrained** from doing so, their **motivation for high performance** is seriously impaired.

2. Thresholds for **deferrals or** rescissions

Part **of** the actions taken by Congress to reform its own budget process **culminated** in the Impoundment Control Act of 1974, which required agencies to report all impoundments, no matter how insignificant. The Congress had concluded that there had been significant under-reporting of impoundments **under** previous ground rules, and **more** stringent rules were required.

Now, 10 years after this legislation, GAO has assessed recent experience and has recommended that reasonable thresholds be established for deferrals and rescissions. This is a desirable improvement. The recent Supreme Court decision invalidating legislative vetoes has made the deferral provisions of the Impoundment Control Act inoperable. With the present concern over the effectiveness of **SSA**, it is an excellent time to review such actions as they relate to SSA and to provide reasonable thresholds where possible. The management concern is that stringent requirements for referrals to Congress have had a chilling effect on potential genuine savings in agencies through economies or management efficiencies, or productivity improvements. Provision could be made in any legislation **dealing** with SSA to build back into the system incentives to encourage cost-effective behavior.

III. PERSONNEL MANAGEMENT

There has probably never been a more important time in **SSA's** history to plan for the **.future** of its workforce and to strengthen the hand of its commissioner as the-manager of that workforce.

There are few agencies in government which are more "people intensive" in character, or which will have to change more as a result of the impact of new ADP technology. The following kinds of changes can be expected:

- 0 **Processes** for receiving applications for benefits, establishing eligibility, and computing amounts of benefits will be increasingly automated and automatic.
- 0 Procedures for maintaining reliable lists of payees and paying out checks will be linked electronically and made more automatic (i.e. "paper free").
- 0 Claims representative and service representative functions will be increasingly automated, more data will be in computers and there will be fewer person-to-person responses.

As these changes take place, there will be a high likelihood that the total numbers of people needed to administer SSA programs will decline-and this development will **cause** human problems.

At the same time, the nature of many SSA jobs will be changing. There will be a need for many more people who have computer skills, including the skills of development and maintenance of software and communications systems, as **well** as equipment capabilities. This means that, even among those employees not displaced, there will be a major need to retrain people in new skills, and to move people around to mat&changes in organization, job groupings, and **skill** mixes. Some of these changes may be geographical, as SSA seeks to realign its extensive field structure to take advantge of new communications potentials.

Another major change which SSA now faces is the need to master the challenge of **managing** its major new project for the implementation of its Systems Management Plan. In the next **few** years, this project will need a new style of disciplined control of a project of finite time duration which cuts across all 'existing lines of authority within the agency. While the computer aspects of the project will be centrally managed by the systems staff, it will force fundamental changes in the future management of most **of** SSA, and will require that all other line and staff elements rethink how they will respond. The Systems Modernization Plan must be the servant of line management, and cannot become another obtrusive system which ends up being an end in itself. And, as jobs change, SSA must have **far** greater latitude to define jobs peculiar to its own work and classify those jobs at levels which are realistically competitive with the private sector "market" for these talents.

As these changes take place, SSA employees threatened by job displacements have a right to as much help as possible in remaining employed with SSA through retraining or equitable internal competitions for dwindling current jobs or newly defined positions. In addition, however, the very speed with which change will happen and the more technical nature of new positions mean that it is very likely that SSA will need to bring new talent into the agency which has high technical skill and experience beyond the capacities which can be developed by retraining. This may be especially true in a few key senior positions because, under present salary levels, the Federal Government has extreme difficulty in being competitive for top talent in the **computer/ADP** industry which is one of the most competitive and best paying **in** the U.S.

Even without considering the major people-oriented challenges which SSA faces, it is apparent that there have been significant opportunities to redefine the

role of the SSA Commissioner in the arena **of** personnel management. The following sections, therefore, define a new “package” of personnel authorities which **recommends** some accommodations in regular personnel functions, and some **special** authorities which go to the heart **of SSA's** special needs.

A. Employee Recruiting and Selection

HHS has given SSA as much delegation of personnel authority as it can, **subject** to controls which are applied by the central Office of Personnel Management. The real limitations which constrain SSA recruitment and hiring stem from those central controls.

SSA has traditionally relied heavily on the hiring **of** numbers of college graduates into beginning positions as claims represent **atives** and service representatives and for entry level talent in many other administrative and management positions. The quality of these initial hires can be very substantially improved if SSA people are able to personally recruit, interview and hire those people whom they believe will perform best in SSA. Timing has always been important in college recruiting, and the ability to make immediate job offers at competitive salaries often spells the difference between getting desirable or marginal people.

In recent years, a temporary system **of** filling entry level positions (caused by an out-of-court settlement of a lawsuit) has severely altered this preferred hiring practice. SSA is now required to concentrate on potential internal efforts to fill its entry level professional positions through “promoting from within” (out of the clerical staff) before it can move to hire college graduates. In addition, where college hires **can** be sought, they may only be hired under “Schedule **B**” authority, which is **normally** used for temporary hiring and which does not normally lead to permanent career status. Because of these limitations, SSA is

not able to recruit successfully among college graduates, and there is a perceived loss of quality in its entry level **workforce**, and, over the longer term, in the personnel who may be advancing into supervisory and management positions. For hiring into other positions in the workforce, SSA has done little or no recruiting of its own, and has had to select from registers of "walk-in" candidates furnished by OPM. OPM is charged with finding a governmentwide solution to the "Schedule **B**" problem described above, but this constraint is hurting SSA at a particularly unfortunate time in terms of its ability to tailor its staff for future needs.

At a minimum, SSA should be given authority by OPM to recruit, competitively examine, and select all SSA hires in positions for entry level claims representatives, service representatives, or other entry level positions normally filled by college graduates. If OPM is unable or unwilling to make such delegations, consideration ought to be given to special waivers for SSA from civil service statutes or regulations relating to the appointment and tenure of personnel which would permit SSA to set up a merit system (subject to the merit principles contained in the Civil **Service** Reform Act of 1978) which would provide tenure for employees similar to that of the civil service system, and which would permit interchangeability of employment without loss of tenure or benefits. This waiver authority can be given specifically to the SSA Commissioner to be exercised only on a showing of specific need, and only for five years, or until such time as general recruitment and hiring regulations have been redefined to satisfy the legal constraints of the court order.

B. Classification Authority

An important part of the total package of basic personnel authority is the control exercised over the classification of positions--that is, the formal description of the duties of a position, and the grade level justified by those

duties. Traditionally, OPM has maintained a governmentwide classification system which rests on standards for jobs prepared by OPM, and on classifications performed and approved by personnel experts. But in recent years, the basic classification **system** has failed to keep its body of standards current. **Many** are now obsolete, **and** there is a great and growing backlog of **revisions to be** made, or **entirely** new standards to be written for new jobs in government. **In** addition, the great range, variety, **and** growing sophistication and complexity of jobs all over the Federal government has increasingly thrown into question the accuracy and reliability of this huge centralized **system** as a means to describe positions effectively or permit fair and realistic grade levels to be established for them.

As the problems of the centralized system have grown, agency managers have been forced to point out the increasing lack of its reliability and the belief that personnel classifiers are not reflecting workplace and labor market reality. Line managers have become increasingly frustrated with the system, and feel that it fails to meet their needs. OPM has been reluctant to delegate authority for development of classification standards to agencies, feeling that the needs for central system uniformity and consistency outweigh the advantages of permitting agency managers to control their own personnel tools. **In** its report "Revitalizing Federal Management" the **NAPA** Panel disagreed with this view, and advocated a better sharing of the classification responsibility. It urged OPM to concentrate its efforts on the development of governmentwide standards, for the professional level positions (*i.e.* the "journeyman" positions) but to place more trust in individual agencies by delegating to them the authority within broad OPM guidelines to develop classification standards and to do position classification at **all** other levels within **an** occupation.

SSA is well suited to exercise this kind of direct classification authority. It is a very large employer in its own right and must maintain a substantial personnel staff. It has many jobs which are specific to its programs, and has **superior** knowledge of what the duties of those positions should be. Therefore, it is recommended that OPM delegate authority to the SSA Commissioner to develop classification standards for positions unique to SSA, subject to OPM approval. There is precedent for this in a number of other agencies, but it is most relevant that IRS **was** granted similar authority when it automated its programs and went to its present organization and method of operation.

An attractive option to consider would be for the Congress to authorize the SSA to undertake a major personnel test and demonstration program of the kind authorized by the Civil Service Reform Act of 1978. The concept of an overall test and demonstration program involving a broader range of management authorities is more fully discussed in Section VII of this report.

C. Management of SSA's Senior Executive Service

The best way to improve SSA management and achieve highly necessary continuity and stability of leadership is to make all of the principal positions in SSA other than the commissioner part of the Senior Executive Service, and then see to it that these positions are filled by the best, and most able, and most experienced people possible.

The Senior Executive Service is not yet five years old. It created new and more flexible authority for agency heads to reassign SES people, and it created a combination of Reserved positions which can be held only by career people, plus General positions which **may be** held by either career or non-career people. And, it authorized the development of executive bonus systems and a performance evaluation to link reward to performance.

The changes in statute were aimed at opening up the freedom of agency heads to manage more effectively their cadres of senior managers. Some agencies have been more effective in accepting and utilizing this authority than others, and there remain other opportunities to be realized in this area. The Civil Service Reform Act, for example, did not attempt to deal with the most important issue of executive compensation, except in the limited area of bonuses.

Five years of experience have shown where other improvements in the functioning of the SES are still possible. The following recommendations represent further substantial improvements which could be made possible for SSA:

1. Executive salaries: Great stress has been placed on the necessity for SSA to be able to bring stability and continuity to its leadership -and excellence as well-by being able to put top quality people into its SES positions. Recent increases in SES salary levels have done much to mitigate the disturbing rate **of** departure of top experienced career executives of only two years ago. But, SSA will continue to be heavily dependent on its ability to attract and retain exceptionally capable people in a marketplace competition with some of the best paying industries in the United States. Congress should, therefore, consider granting authority to the SSA Commissioner to pay a limited number of executives (perhaps **5-10**) up to \$20,000 per year in excess of the salary level of ES-6 without regard to the limitations of Section **5383(6)** of the Civil Service Reform Act (which precludes compensation above that **of** Executive Level **I**). This ~~-a~~authority would be exercised only where the Commissioner could show that an executive with urgently needed technical/managerial skills could be hired or retained only through the additional compensation.

2. Numbers of SES Positions: A principal control on employment numbers is exercised with respect to senior executive (SES) positions. OPM allocates these positions throughout the whole federal establishment. In HHS, a further allocation is **made for** elements of the department, and it is "competitive" in the sense that total demand for such positions may exceed the authorized number. Thus, SSA needs may be subordinated to the overall balancing act both *in* HHS and in government as a whole, and even granting good intentions, this kind of centralized allocation approach may fail to meet the genuine needs of a given agency.

Congress can consider the option of dealing with the needs of an agency more directly. There is precedent over many years in the statutory definition of the numbers of Executive Level positions, and levels authorized to agencies in their authorizing legislation. Another precedent is again shown in the case of IRS, where Congress, in authorizing a general increase in the numbers of GS-16 through 18 positions, directed that a specific number be given to IRS to buttress its top management cadre.

3. Executive development: A third major opportunity, but one perhaps not of direct congressional concern is executive development. Neither individual agencies, nor OPM for the whole Federal Government have adequately responded to the impetus of the Civil Service Reform Act by developing strong positive ways to develop the executive talent of the Federal Government and promote excellence through mobility as a

broadening experience, or by building executive skills of decision-making, risk-taking and innovation. Congress can address this issue at least in terms of language which mandates that SSA must develop and maintain an executive development program within its own ranks, including the encouragement of the most able and highly motivated people to prepare themselves to compete for **SSA's** future executive opportunities. While it would still be up to the commissioner to develop such programs, congressional recognition **of** this need would do much to give it the credibility and visible support which it now **seems** to lack within the Executive Branch.

D. Other Personnel improvements

1. Technical expert salaries: SSA, as well as many other agencies which must compete in the rich computer technology market, is often unable to compete for certain skilled technical people such as systems design experts, software/applications systems specialists, or contract management personnel technically competent to monitor contracts for sophisticated technology development. Therefore the SSA Commissioner could also be given special authority, similar to that advocated for senior executives, to pay up to an additional \$10,000 a year without regard to the normal limitations defined in federal pay authority, and subject to a similar showing of need to hire or retain specifically defined skills.
2. Training and Redeployment of the Workforce: As the new Systems **Modernization** Plan is implemented it will be necessary to retrain and redeploy the workforce. In some cases, this latter may also involve geographic moves.

While normal operations must be continued, it will be important to permit persons to be retrained and to have adequate resources to conduct training. At issue will be personnel ceilings and dollars for retraining. No new authority for training will be needed, but SSA should move quickly to identify retraining needs as soon as possible, and develop **proposals** for congressional scrutiny which show where personnel ceiling special dispensations may be needed to carry employees through such retraining periods, or when extra funds may be needed to finance such programs. It is assumed that these needs can be fully justified in the normal course of congressional program and budget oversight and that they will be perceived as legitimate expenditures from the Trust Fund.

3. Labor Relations: **SSA's** labor relations would not be fundamentally different as an independent agency as compared to being a part of HHS. It might be significantly changed, however, if SSA were established as a government corporation, and if its employees ceased to be federal employees in the usual sense and thus no longer governed by the Federal Labor Relations Act and Title VII of the Civil Service Reform Act. The creation of a government corporation would presume the shift of **labor-management** to those laws and regulations which govern in private sector employment, and would undoubtedly broaden the base of issues-including salaries and the right to strike--over which employees might become entitled to bargain. The implications of such ~~changes-are~~ **are** very great; sufficient in themselves to mitigate against the feasibility of SSA becoming any form **of** government corporation.

N. COMPUTERS, INFORMATION RESOURCES MANAGEMENT, AND
PROCUREMENT

A. Background

SSA is one of the largest **processors** of data and heaviest **users** of computers in the Federal Government. On the payments side, it manages the payment **of** monthly benefits to **36,000,000** people or 432 million checks each year, plus the related workload of determining eligibility and benefits. On the "input" side, SSA handles 380 million transactions each year in the process of recording earnings **from** W-2 forms **and** posting these earnings for subsequent use.

The cost to operate and maintain **SSA's** current data base and future revisions of it are estimated at \$1.6 billion over the next five years. In addition, its Systems Modernization Plan estimates that \$478 million will be needed in the FY 82-87 time period to modernize its total **ADP/information** processing system.

Furthermore, it appears to be almost the consensus of the General Accounting Office, the President's Private Sector Survey on Cost Control (Grace Commission), and other outside evaluators, that under past management systems and practices, SSA has not been able to cope adequately with its data processing needs and has been in a protracted period of ADP difficulties. The following assessment made in 1982, was reported by the Grace Commission:¹

¹ "Report on the **Social Security Administration**," a report of the President's Private Sector Survey on Cost Control. U.S. Government Printing Office, Washington, D.C. 1983.

- o In terms of its main processing needs, **SSA's** 1982 workload capacity was 2,000 hours per month. Its estimated total workload was 4,500 hours per month, and even its "critical" workload was 3,000 hours per month.
- o In terms of its teleprocessing needs, its capacity was 410,000 input units. Its total actual demand was 700,000 units, and its "critical" needs were 620,000 input units.
- o In its Data Operations Centers, which handle income reporting from **W-2s**, there was an estimated three year backlog of actions.
- o More than 90 percent of its ADP hardware was, by comparison with more modern available equipment, judged to be obsolete.
- o Its operations were considered inefficient, slow, labor intensive, error prone, hopelessly backlogged, and burdened with wholly inadequate software systems and internal work procedures.

The Grace Commission report concluded that "SSA ADP operations are close to collapse, through years of neglect and mismanagement."

The identified **causes** or symptoms of this massive management problem make it clear there has been a broad general failure of the total way in which SSA, and other elements of the Federal **Government**, have defined and controlled ADP management. The diagnosis of SSA difficulties includes the following:

- o There has been a lack of firm, continuous, uninterrupted top management support--not only in SSA but in **HHS**.
- o More than 90 percent of equipment had been allowed to become technologically obsolete. (New equipment has now been purchased and installed.)

- o Total ADP capacity is inadequate for total workload.
- o Applications systems and programs have grown obsolete and inefficient.
- o Workload backlogs have necessitated heavy **investments of** time and money in catch-up or fix-up efforts.
- o The systems have been heavily error prone, and further time **and** effort is needed to catch and correct errors.
- o There has been a lack **of** proper internal management controls, change control apparatus, data base management, and attention to user needs.
- o Lack of proper systems documentation has prevented effective operation and maintenance ("13 million lines of unmanageable patchwork code").

B. The SSA Systems Modernization Plan

Until recently, one of **SSA's** major shortcomings was the lack of an approved plan to revitalize and modernize its total ADP capability. A number of planning efforts were tried in the past and failed to come to fruition, apparently in large part because of **the** magnitude of such planning in itself, but also because of the enormous time and effort required to clear such plans throughout the rest of the Federal government.

In 1982, SSA finally was able to obtain approval of its current Systems Modernization Plan (SMP) which is now being implemented. The **SMP** is a **five-** year plan for total revitalization **of** the ADP payments system. Its estimated **cost** over five years is **\$478 million** and it is divided into three phases:

Phase I-Survival

- 0 increase in short-term computer capacity
- 0 salvage and upgrade of existing software
- 0 upgrade of data communications links to eliminate backlogs
- 0 upgrade of some tape drives and introduction **of** some magnetic disk capability
- 0 new management controls and operating procedures

Phase II-Transition

- 0 software salvage completion
- 0 conversion of master files to magnetic disk
- 0 addition of intelligence capacity to field organization terminals
- 0 more increases in computer capacity

Phase III-Completion

- 0 a new payment system
- 0 introduction of data base management
- 0 completion **of** a full electronic communications net
- 0 advanced system architecture

The approval of the Systems Modernization Plan and the initiation of its implementation has been a vital first step in the long road to revitalization. Already, **SSA's** obsolete large computers have been replaced, and important progress is being made in upgrading its telecommunications links and replacement of its tape drives. The problems which have been encountered, and the magnitude of the tasks remaining are **perhaps** the best possible "case study" of the urgent need to recognize the importance of SSA as a management organization, above and beyond its policy formulation role.

Obviously this report is not the vehicle for intensive diagnosis of these very complex SSA problems, nor can it make very precise detailed analysis of **SSA's** internal management. **What** is apparent, however, is that SSA shares most of the characteristic difficulties which were identified and evaluated in **NAPA's** "Revitalizing Federal Management." Based **on** that report and other data, the following section evaluates potential management improvements which should be considered in legislative actions relating to the establishment of SSA as an independent agency.

C. ADP/Information Resource Management Reforms

1. External reviews of ADP/IRM Plans

Current laws and regulations give very substantial authority to GSA and OMB as central agencies of government charged with achieving the best possible use of **ADP/IRM** capabilities throughout government. These governmentwide authorities are primarily conveyed through PL 89-306, amendments to the Federal Property and Administrative Services Act (the "Brooks Bill"), and PL **96-511**, the Paperwork Reduction Act of 1980. These statutes mandated the creation of the Office of Information and Regulatory Affairs in **OMB**, and directed agency heads to appoint information resource managers (**IRMs**) in their agencies. They also give to the GSA Administrator powerful central control over this IRM structure, as an addition to existing direct authority over all computer acquisition. In fact, it is the GSA Administrator who delegates authority to agency **IRM's** (not to agency heads) for all aspects of ADP information management. These **IRMs** are, in turn, responsible to the GSA Administrator for all activities defined under the statute.

The motive behind these statutes is clear; it reflects the strong concern that central agency **authority** be brought to bear to become the guarantor of agency performance and compliance with central uniform requirements and procedures

for the planning and implementation of **ADP/information** management **systems**, and for ADP acquisition. As the Academy report attempts to point out however, legislative mandates have given OMB, GSA, and inevitably, HHS, a big share in the total decisionmaking with respect to **SSA's** ADP management.

It is difficult to quarrel with the basic intent of these statutes, and the necessity for responsible governmentwide oversight of ADP/information management resources. Such concentration of centralized control however, has often led to "trade-offs" against the flexibility and managerial authority left in the hands of program managers such as the SSA Commissioner. The most important need for the SSA Commissioner is to use his computers to handle **SSA's** internal program data **processing**--to make eligibility determinations, compute benefits, process claims, and above all to get benefit checks out on time. SSA is an excellent example of an agency where ADP capability is heavily integrated with, and a critical element of, total benefit program management. It is not a separate service function. If the SSA Commissioner can be relied upon by the President to direct the agency, that official should also be competent to administer its ADP capabilities.

Options for greater **IRM/ADP** authority. If the Congress wishes to recognize the importance of the **IRM/ADP** responsibilities and their inseparable link to program success, it must consider options which mitigate some portion of external control exercised by HHS, OMB, and GSA. If SSA were established as an independent agency reporting to the President, it would avoid the issues of its relationships with the departmental level staffs. But whether SSA is an independent agency, or is given greater independence in HHS, there remain the more important authorities exercised by GSA and OMB.

Option 1. SSA ~~could~~ be given its own direct authority by legislation for **IRM** and ADP planning, and ADP for procurement.

Option 2. The GSA Administrator could be directed to make a full delegation of both **IRM** and ADP planning and acquisition authority to SSA as now permitted by law. This would leave GSA and **OMB** roles for policy oversight, planning approvals, and procurement oversight intact, but would not permit the GSA Administrator to withdraw those delegations in the future.

Option 2 should be seriously considered. It provides a more realistic delegation **of** authority directly to the SSA Commissioner. It would reduce HHS, GSA, and OMB involvement in specifics, but would permit those agencies to exercise their appropriate policy and oversight roles. While SSA **is** now, after a number of years, making significant progress under its new **SMP**, it should be recognized that this is not a static plan, but one which must be kept flexible and dynamic. The technology itself will dictate further future change. An agency like SSA could benefit very much from more direct authority to make changes more swiftly in the future than it has been able to do in the past.

2. Budgeting for ADP acquisition

The approval- ~~of~~ the five-year Systems Modernization Plan was a critical management accomplishment for SSA, and it also provided OMB and the Congress with an entire program plan so that the full public cost of **this** crucial revitalization could be seen and debated. Congress has authorized the SMP, but it did not accompany that authorization with comparable financial backing. The **NAPA** report argues for greater governmentwide use of multi-year. "life of project" funding; in ~~the~~ SSA case, it could have meant a full five-year authorization authority for the five-year plan plus a full five-year appropriation of

the estimated cost. **Funds** have been appropriated through FY 83 (and these funds **are appropriately** "no year" funds), but critical appropriations **for** the balance **of** the project in fiscal years 1984, 1985, 1986, and 1987 are still not assured and will be subject **to the** uncertainties of four additional congressional appropriations **cycles**. If Congress is willing to do so, a multi-year appropriation of funds to complete the **balance of** the **SMP** would add **great** certainty to its implementation because it would assure funds for contract management, hardware purchase, systems design costs, **and** new software development. Through this funding certainty, SSA could be helped to **keep** to its tight time schedule, and avoid costly time delays or cost increases occasioned by untimely appropriations.

3. The policy of **effective procurement competition**

A bill entitled "The Competition in Contracting Act of 1983," which was introduced in the Senate last year, sought to **revise** the procedures for soliciting and evaluating bids for government contracts. This bill is in accord with the Administration's policy to increase the level and effectiveness **of** competition in government contracting. It would permit agencies to prepare specifications which will obtain effective competition with due regard to the nature of the property or services to **be acquired**.'

The real issue is a policy one: should specifications for new computer acquisitions be written so that any manufacturer can bid, or may they be written so that a sufficient number can bid to assure effective competition, even though some companies cannot bid? The issue stems from the fact that agencies like SS.4 with large complex ADP systems are already heavily committed *to* some specific software language or **applications** systems which are not compatible with some computers. Any process of defining and justifying acquisition requirements is extraordinarily expensive and **time-consuming**. Such a process is however

extremely more complicated if it must aim for “full” competition (i.e. any manufacturer can bid) in order to meet **GSA** and congressional requirements. The Grace Commission points out the cost and time loss which this broadening entails, and the consequences which might follow if a winning bid required that **SSA** replace not only its hardware, but the basic applications systems and internal procedures which are an integral part of its whole management structure. As the Grace Commission stated, “Never again should **SSA** find itself in a position where every facet of its operation needs to be replaced at the **same** time.”

Use of the concept of **effective** competition rather than **full** competition would permit swifter procurement and avoid potential serious disruption of **SSA's** existing ADP system without abrogating the fundamental concept of competition in federal procurement, and the Congress can make clear that **SSA** would be authorized to pursue this course.

D. Other Procurement Issues

SSA is entering into a new, more complicated, and in many ways more sophisticated era in its management role. The addition of new program authorities in recent years (**SSI**, black lung, etc.), the increase in volumes of procedural actions, the multiplication in the numbers of field elements, and especially the challenges of the technological revolution in automation and electronic data transmission, are all demanding more management from **SSA** leadership than ever before.

Other things are changing as well. There is an increasing demand for cost effectiveness in government. It is not sufficient for an agency merely to cope with its responsibilities. In an era of tight budgets, every agency must meet the test of delivering quality & vice but at minimum feasible cost to the taxpayer. In this environment, increasing attention is being given to alternatives for effective management which might not have gotten active consideration a few years ago.

One *of* the inevitable consequences of the implementation of **SSA's** Systems Modernization **Plan** for the revitalization of its ADP capability is that SSA must now learn how to become an effective manager of private sector contracting. SSA has already selected a systems integration contractor to plan, organize, and direct systems design and development, computer acquisition, systems installations and testing-all activities which will be done in full or in part by private companies under contract.

In addition, government policy over the last 10 to 12 years has shifted substantially in the direction of more careful explorations of where the work of Federal agencies can be carried out by the private sector. This trend, combined with other approaches which seek to shift administration of programs *to* state or local governments, is causing many agencies to rethink whether they continue the traditional sole reliance on public employees in the performance of the public's business.

Finally, budget pressures and growing taxpayer concern for the cost *of* government, the complexity of government procedures, and the burden of federal red tape are properly forcing greater attention on the need to streamline all federal processes **and** procedures.

The federal procurement system has not escaped the general trend toward managerial overburden and overregulation which characterizes other management systems. As SSA increasingly enters this new era of greater private sector contracting opportunities, it is an ideal time to link the prospects for reform of its procurement system to the initiative to determine how SS.4 should be established as an independent agency.

Based on its report, "Revitalizing Federal Management," and its assessment of the general intentions of federal procurement reform, the National Academy of

Public Administration believes that the following improvements in SSA procurement authority and systems should be examined:

1. A-76 determinations.

Traditionally **SSA**, like other federal agencies, performs the great bulk of its **work** through a staff of civil service employees. Like most other agencies, SSA has authority to enter into contracts with private sector companies to provide goods and services.

In recent years, many public agencies at federal, state and local levels have been examining more closely the potential to place out on contract to the private sector activities now performed “in-house” by its civil service work force. In the Federal government, the policies for considering such options have been defined by OMB Circular A-76, which also specifies in detail the process for estimating the cost-effectiveness of contractor performance of a specific activity versus federal in-house performance.

The Office of Federal Procurement Policy has estimated that there are many instances where converting to contractor-operated activities can save large sums of taxpayers’ money without reduction in performance. In recent years, this potential for cost saving has led to increasing Executive Branch emphasis on initiating such A-76 determinations. The Reagan Administration, through its Reform ‘88 procurement reform program, has made such assessments a major management reform priority.

It is recognized that the idea of taking activities traditionally performed by civil servants and placing them in the hands of contractors is disturbing to employees and many managers. Nevertheless, where such determinations can be **shown** to be of **benefit-to** the cost-effective management of SSA **programs**, any legislation designed to establish the independence of SSA from existing constraints must clearly provide for authority of this kind.

Those agencies which are experienced in the use *of* commercial contracting have demonstrated' that it is perfectly possible to assure that federally-appointed officials supervise such contracts while fully protecting the public's interests, and keeping essential decisionmaking and financial controls in the hands of **government** officials. But it is desirable to establish clearly the policy view that reliance on the private sector is a valid alternative for SSA leadership where such reliance can be shown to be in the public interest.

Within this policy, SSA should be free to conduct the kinds of determinations spelled out in Circular A-76, even in work areas which have been traditionally performed by civil service staffs.

2. Procurement Overburden

The heaviest reviews and constraints on procurement matters for SSA appear to be those exercised by elements of HHS rather than GSA or OMB. For example, GSA has delegated authority to HHS for acquisition of ADP equipment and software up to a level of \$10,000,000; but HHS in turn (after approval of overall program and computer acquisition plans) requires that SSA obtain **pre-**clearance of additions or changes to the basic plan which exceed \$150,000. Any other contract in excess of \$100,000 must be pre-approved by HHS, and departmental approvals for other categories of contracts are similarly tight: over \$100,000 for sole source contracts; \$50,000 for telecommunications contracts; \$5,000 for audio visual contracts, and so forth. SSA can expect a round of clearances at the HHS level which normally includes its Office of Procurement, Assistance, and Logistics and also the Office of the General Counsel. When there are policy decisions **needed** ~~as~~ part of procurement (as for example certain socio-economic matters like equal employment goals, or environmental impact assessments), HHS clearances may become markedly broader and more

complicated. Even with the best of motives, this elaboration of departmental oversight acts to add layers of *review*, complicate each action, add to the long lead times required to reach decisions, and run up the cost to the taxpayer. But why can't SSA make these decisions for itself? SSA people are fully capable of reading and understanding the laws and regulations which **establish** the , -procurement system. If SSA people are competent to manage programs costing \$200 billion each year, why can't they responsibly control their own management systems?

The nature *of* this discussion is such that it argues that there can be valuable enhancements of the management authority *of* the SSA Commissioner, and significant reductions in the managerial overburden if SSA is an independent agency reporting to the President, compared to an SSA remaining within, and reporting to the HHS departmental superstructure. However, it is within the power of the HHS Secretary to delegate greater latitude to the SSA Commissioner and to end micro-management overburden from elements of the department.

V. ADMINISTRATIVE SERVICES MANAGEMENT

Administrative services management is a general term which describes the management of an agency's land and buildings; the maintenance, repair and modification of these facilities; and normal office services like, heat, light, telephones, and physical security. In addition, it includes administrative support such as printing and reproduction, **provision** of supplies and equipment, and procedures to support official travel.

These services affect almost every employee in SSA. *If* these services are poorly provided adverse consequences are felt throughout its internal operations, and in turn by the general public which gets less effective public service. None *of* these kinds of activities are so complex or difficult that they are beyond the capabilities of any reasonably run institution. And yet, there is a history in the Federal establishment of serious concerns with all these functions. Study after study, audit after audit, has confirmed an astonishing fact: the preponderance *of* difficulties which have been complained about deal with overall government systems and controls, and not solely with problems within individual agencies. In other words, the provision of relatively straightforward administrative support services for a given agency seems to become **less** efficient, more costly, and definitely more time consuming when it is forced to become part of a government-wide management system.

The central agency which defines governmentwide policy, systems and regulations for all *of the* administrative services listed above, with the exception of printing and reproduction, is the General Services Administration. Printing is controlled in the Executive Branch of the government by the extraordinary apparatus of a Joint Congressional Committee on Printing, which in turn mandates that Federal printing above a certain size must be procured through the Government Printing Office.

The logic behind such centralized systems as property acquisition, **buildings** management, printing, **supply** management and the others **is** that someone needs to mandate **standard** uniform procedures and best practices in these activities; that **services** can be more efficient if provided by a single government-wide **service** organization which realizes economies of **scale**; and that the government **will** benefit if purchases are consolidated and the presumed market leverage of “volume purchasing” **is** realized. In fact, the history of each of these functions has been the long-term inability *of* our present systems to realize these hoped-for advantages. If one looks beyond the management concepts and policies stated in law and regulation, and looks hard at how things really operate, the view is totally disturbing. Two very recent reports² in a long line of such assessments confirm these problems:

- o Administrative services are too highly centralized and controlled by GSA and detract *from* the ability of agency heads to control their own operation.
- o Such divided authority also weakens agency accountability for its own performance.
- o The result has been a reduction of real *service* to agency operations.

² See “Revitalizing Federal Management: Managers and Their Overburdened Systems,” report of a panel of the National Academy *of* Public Administration, Washington, D.C., November 1983, pp. 5546. See also: Report on Real Property Management; -Report on **Lands/Facilities/Personal** Property; Report on **Procurement/Contracts/Inventory** Management (single volume), reports of the President's Private Sector Survey on Cost Control, U.S. Government Printing Office, Washington, D.C., 1983.

0 These systems are all overburdened with duplication of effort, managerial inefficiencies, excessive paperwork, and unwarranted delays in long paperwork channels before even small actions can be undertaken.

For agencies such as SSA which are part of departments, these issues of duplication, paperwork and delay are compounded, *since* actions which must be processed and approved by GSA, or services which must be ordered from and provided by GSA, must also pass through duplicative channels at the department level.

There is little quarrel with the general idea that GSA should be the Federal Government's central authority to set management policy within law and statute defined by Congress. Nor is there much quarrel with the idea that GSA can serve as an independent evaluator of how well agencies comply with necessary policy, regulation, and audit. However, there is serious disagreement about the degree *to* which GSA has insisted on retaining control of operations-either as a direct provider of services, or through its detailed review and approval of individual actions. For many small agencies, it may be appropriate to have GSA provide their administrative services. It is difficult, however, to make the case that a large agency such as SSA should not be fully in charge of its own administrative services and fully accountable for them. For example, in discussing office space management, the **NAPA** report says= ". . . the consensus is that GSA has become far too operational and has insisted on controlling even minor building maintenance and renovation actions. It is hard to believe that only GSA can efficiently control the paperwork and contracting for thousands of minor work orders all over the United States, and the preponderance of evidence over many years indicates the weakness of this management approach. It is generally

irrational to believe that **federal** agencies, which control programs having outlays of more than \$700 billion per year, cannot competently manage their own office space."

But GSA **is** not the only element to consider in the matter *of* delegations and controls. **In** fact, GSA can and does make delegations and **is** now making greater efforts to step up the pace of negotiating appropriate delegation to many agencies. Often, however, the limitations which constrain managers come from within their own departments. In many instances, HHS has effective delegations from GSA, but has **failed** to translate much flexibility down to its component organizations. **In its procurement system**, for example, it appears to be the department rather than GSA which places tight constraints on service contracts, consultant contracts, or relatively minor changes to previously approved major management plans and their related procurement actions.

SSA is a large agency which is very "people intensive" and "systems intensive"-that is, the quality *of* its program delivery **is** heavily reliant on the effectiveness *of* its internal systems and procedures and the effectiveness of its large workforce. To the extent that the management of administrative services is not under the control of the SSA Commissioner, the agency loses an important element of **responsibility** in achieving program effectiveness, and is seriously hampered in its ability to make changes in its own operations.

In offering solutions to these governmentwide problems, the **NAPA** report and other assessments offer two main avenues for reform: delegation and competitiveness.

A. Delegations of Authority

GSA's enabling **statutes** already provide that GSA can delegate to agencies the power to operate these services for themselves, subject to proper retention of

GSA's overall authority to set policy and standards and assess performance. Experience **dictates** the wisdom *of* GSA making maximum feasible delegations *of* this operational authority to agencies such as SSA, and this same reasoning applies to delegations made by HHS. **NAPA** recommends at least the following delegations:

- o authority to own or manage real estate
- o authority to manage **all** aspects of building leasing, maintenance, repair, renovation, service, and security
- o authority to control its **o w n** utilities including telecommunications
- o authority to administer its supply system, including revised authority to use small purchase procedures for actions up to \$25,000 (now authorized in a new statute) and authority to transfer personal property to or from other agencies up to \$10,000 per action (vs. the present limit of \$2,000)
- o authority to contract directly with private industry for printing and binding (instead of being required to funnel such contracts through **the** Government Printing Office)
- o authority to conduct its own travel management **program**.

All of these objectives except printing would be realized if such full delegations of authority were made by the GSA Administrator. The alternative would be to require such delegations by statute, or in the ultimate case, to give these authorities directly by statute to the SSA Commissioner.

Such delegations to **the** SSA Commissioner are desirable whether SSA is in HHS or not. The advantages for SSA are the same in terms of greater control and more opportunity to be cost-effective. In terms of duplication of effort and

paperwork, the greatest savings would be realized if SSA is an independent agency reporting to the President, because the departmental oversight would be removed as well. It **must** be said, however, that if HHS took seriously its obligation to free **SSA from** burdensome restraints, a case could be made that there is advantage in **having** the authority and leverage of a Cabinet Secretary **to** count on in dealing **with** GSA and the other central agencies.

The arena of printing and binding is, **as always**, a special problem **in** the Federal government, since it is controlled directly by Congress, and there is a special risk for Executive Branch people in arguing printing issues. SSA generates **about** \$30 million each year in printing and reproduction. The immediate **issue** is not the **policies** and regulations of the Joint Congressional Committee on Printing, but the requirement that all printing (excluding most simple reproduction **needs**) must **be** sent to the GPO. **Federal** agencies, OMB, GAO, and other observers all appear to agree: GPO is the most expensive and slowest of all alternative ways for obtaining printing. The private sector printing industry **is** generally **cost-effective**, high quality, reliable and nationally available; and unless a given agency can show some specific in-house superiority, utilization of the private sector should be the objective of federal printing policies. As the **NAPA** report stated: it: ". . . printing in GPO appears almost **always** to exceed agency cost expectations, sometimes by as much as 100 percent. GPO routinely requests additional production time in order to accommodate its in-house schedule. Agencies thus feel that they receive excessively slow and uncertain service at prices which often exceed contractor printing prices."

GPO also handles printing contracting **for agencies**. In **fact** 75 percent *of* all printing goes out to industry through contracts which GPO totally controls. An agency such as SSA could easily do this contracting itself. It must indeed process

its own printing needs **anyway**, and when also required to go to GPO, the work is **reprocessed** there, which normally takes four to six weeks. Agencies are not permitted to deal directly with contractors and thus lose control **over** their own **work**, since GPO can and does overrule agencies and require them to accept work which they would not accept themselves. Congress should give an independent SSA its own authority to contract directly with the printing industry, subject to JCP policy and standards.

B. Competitiveness

Throughout the whole range of administrative services discussed above, there are numerous **opportunities** to seek out and use competitive alternatives to services provided by, or controlled by, GSA. In buildings management, for example, service contracts have proved attractive for maintenance, cleaning, repairs, renovations, and security. **SSA's** large and widely dispersed field structure means that SSA must pay serious attention to its own service needs, but also offers many opportunities to take maximum advantage of highly competitive market opportunities in the private sector. If SSA is given these authorities, it might choose to use GSA-provided service (or GPO contracting services) but only where there is a **competitive** advantage in doing so.

C. Account ability

The proposals described above place greater direct authority in the hands of the SSA Commissioner and permit him/her to be more fully accountable for the actions of the agency. The role of GSA would change only in the sense that it would relinquish some degree of control over operating details, but would retain its role in policy, **standards-setting** and oversight over SSA **performance**. The GPO would no longer be the mandated source of printing or control of printing contracting. This is a fully responsible pattern of accountability, superior to the present more diffuse pattern of authorities.

VI. SUMMARY

As ***Congress makes its final decision*** about establishing SSA as an independent agency, it must decide what management authorities will be exercised by the agency. In the special **case** of the creation of a government corporation, Congress would need to be **specific**: it could either permit such a corporation to be fully independent of the kinds of management systems authorities discussed in this report, or it could address each of these authorities and make deliberate decisions as to which if **any** would apply. In the past, two general approaches to such decisions have been used. One is to say "all general laws and regulations will apply except" The other is to say "none will apply except" The attractions of government corporations have been of two kinds--first, that it will somehow be freed from the application of political or policy oversight; and second, that it will be freed from the "normal" administrative and management requirements and constraints which would not permit the corporation to operate in a "businesslike" fashion. But **NAPA** feels that SSA cannot and should not be divorced from political and policy oversight. In addition, the purpose of needed management reform is not to enable SSA to operate like a business, but to help it operate more effectively as a federal agency. Thus, **NAPA** does not support the idea of making SSA a government corporation, either as part of HHS or as an independent entity.

Another *form of* organizational independence which is feasible is to keep SSA in HHS, but to define for it a special set of management authorities legislatively conveyed directly to the SSA Commissioner, essentially bypassing the HHS Secretary and the normal exercise of the departmentwide oversight.

However, the **fundamental** decision is whether SSA needs to be a part of HHS, and that decision should not be made on managerial considerations. SSA

should remain in HHS if there are compelling policy reasons for keeping it there, or if it is clear that social security program interrelationship⁶ with other elements of the **department** dictate its retention.

In the SSA situation, the question is whether there are elements of management where the roles played by HHS are so critical **or** important that they compel the retention of SSA in the department. One *of* the principal elements of this question is whether HHS, in its oversight, provides a degree of accountability or enforcement which SSA cannot or will not achieve without such supervision. Very large organizations (such as the Internal Revenue Service and the Federal Aviation Administration) can function well and with considerable autonomy within departments. But the existence of large complex independent agencies such as the National Aeronautics and Space Administration, the Environmental Protection Agency, and the Veterans Administration, does demonstrate that such agencies can be effectively managed-and fully accountable to the President and Congress-without being part of a departmental structure.

Making SSA an independent agency reporting to the President creates substantial managerial advantages= it removes it from the administrative overburden which departmental oversight inevitably entails. It essentially requires the legislative authorization of a full and complete set of management authorities to the commissioner, and it makes the commissioner more fully and completely accountable for the performance of the agency.

No amount of legislation can create excellence in management. But the recommendations of this report would strengthen the hand *of* the SSA Commissioner, and offer better tools for management effectiveness for the **future**.

VII. A SPECIAL PROPOSAL: A TEST AND DEMONSTRATION PROGRAM FOR SSA MANAGEMENT

While many **of the** proposals and recommendations of **this report deal with** matters which are appropriate congressional considerations, **others** deal with the **kinds** of improvements which can and should be taking place **within** Executive Branch agencies on **a regular** basis.

There are vigorous efforts within the Reagan Administration **to precipitate a** broad range of management reform, and **hopefully**, agencies like SSA will benefit **from these initiative6 in the future**. But in a sense, the very **number of** current reforms being conducted (including 2400 recommendations in the Grace Commission report) is a revealing commentary on the degree to which management improvement has failed to keep pace with dynamic changes taking place in federal management. The **SSA's** own ADP Systems Modernization Plan is **a** good example of the major efforts which are needed to keep up with that rapidly changing technology.

The failure to keep federal management current and effective is also a measure of the serious **stultifications** built into its systems, and the extreme efforts now required to achieve change. As the **NAPA** report **stated it**:

"... attempts to change governmentwide systems have become highly complex, time consuming efforts to negotiate consensus among conflicting internal interests. And, because most programs **have** major impact outside *of* government, with client **groups, state/local** governments, contractors, and individual citizens, further **broader** consensus is often **needed** with these interests and the Congress **as** well. **But;** in fact, it has become almost impossible to negotiate change. Even comparatively modest changes are beyond the

managers' authority-and where change efforts fail, management systems have experienced protracted periods *of* neglect and potential **obsolescence.**" .

One of the solutions which the **NAPA** study recommended called for the **creation** of special "test and demonstration authority" to be given to one or more of the central agencies of the Federal Government, or to the line agencies themselves. This authority would be broad enough to permit major statutory and/or regulatory waivers for extended periods of time so that-under controlled conditions-new and innovative management ideas or techniques can be tried out, or improvements in existing procedures can be given a fair trial. There is a good precedent for this kind of authority in the Civil Service Reform Act of 1978 which permits the Office *of* Personnel Management to prepare plans for and to execute such tests.

NAPA proposes that the Congress consider giving special test and demonstration authority to the SSA Commissioner under which a formal plan would be prepared for the approval of Congress to undertake a five-year "Management Improvement Test and Demonstration Program which would incorporate improvements such as those recommended in this report, as well as **others** which SSA believes would enable it to modernize its management and permit it to achieve more effective program delivery. Such a program plan would be reviewed by other Executive Branch agencies to improve its quality and relevance, but ,its final approval would be given by the Congress. Progress under the plan would be reviewed as part of regular White House and congressional oversight with full **opportunity** for soliciting the assessments of OMB, GSA, and OPM as the test and demonstration proceeds.

PARTICIPANTS IN DISCUSSIONS
ABOUT OPTIONS FOR THE
 SOCIAL SECURITY ADMINISTRATION
 AS AN INDEPENDENT AGENCY

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 THE NATIONAL ACADEMY OF PUBLIC ADMINISTRATION
 on
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xxx

Participants were Academy Members plus a few others who
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